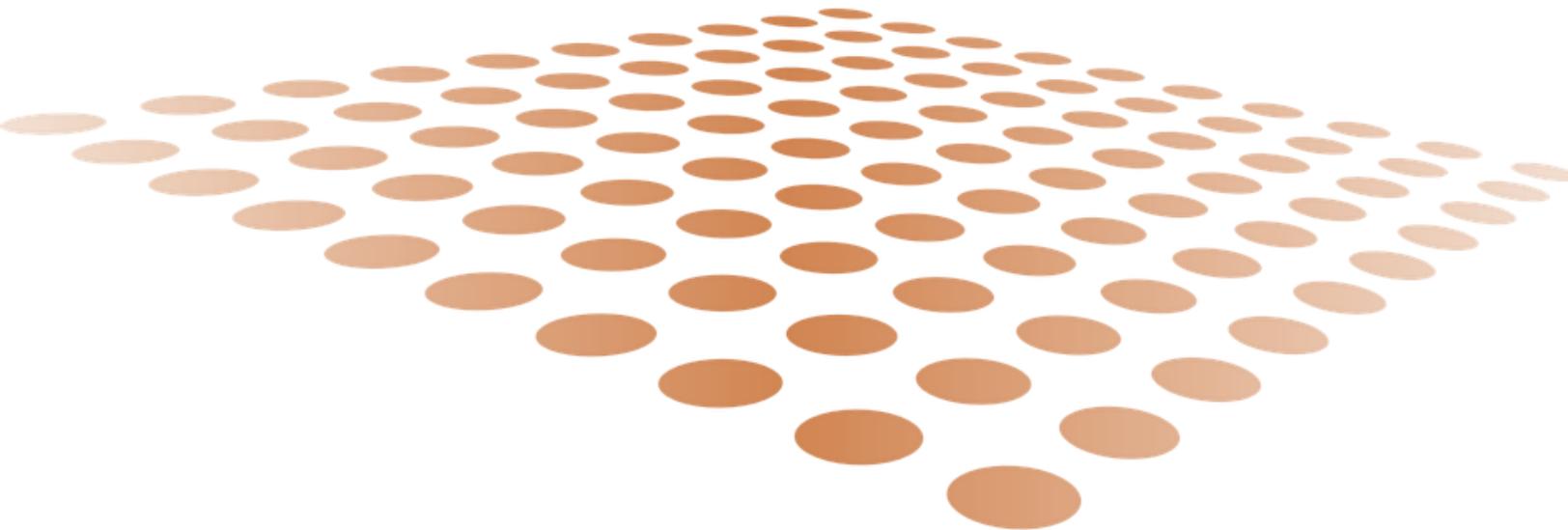


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ADOA – General Accounting Office

# QUICK REFERENCE GUIDE: MONTHLY PROCESS OF COLLECTING & PAYING USE TAX





# MONTHLY PROCESS OF COLLECTING & PAYING USE TAX

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# MONTHLY PROCESS OF COLLECTING & PAYING USE TAX

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## Monthly Process of Collecting and Paying Use Tax

Per the Arizona Department of Revenue (ADOR), businesses (or individuals) making out-of-state purchases for their own use – not for resale – on which no tax is paid, are required to pay transaction use tax.<sup>1</sup> There are several means within AFIS to make this payment to the Department of Revenue.

Late fees owed to the Arizona Department of Revenue can be paid in AFIS by using an Internal Exchange Transaction (IETAT) document.

## Processes of Creating a Use Tax Liability and Paying Use Tax

- Create a use tax liability in AFIS through Arizona Payment Portal (APP)
- Transfer out use tax liability to the Department of Revenue
- Transfer payment of use tax when no liability was created
- Correct errors in the use tax liability

### Create a Use Tax Liability in AFIS through APP Background

To pay use tax, first an agency must determine how much use tax is due. This can be accomplished in several ways. One available method is to create a liability when processing a payment in APP if the vendor collects no sales tax and use tax is due. If an agency wishes to create a liability for use tax using APP, use the AZ State Use Tax Rate in APP to create the liability. Capturing the liability in APP is an option, not a requirement. However, it is a useful tool.

### Creating Use Tax Liability in APP

The objective of creating a use tax liability is to capture the correct amount of use tax due to the Department of Revenue to facilitate remittance.

1. In APP, the requisitioner should select AZ State (Use) Tax when processing the requisition.
2. After the invoice is approved for payment, the vendor will be **paid** for the invoice and a liability will be created in AFIS for the use tax due.

### Tips

- Using the AZ State (Use) Tax option for sales tax results in a liability being recorded in AFIS under BSA 1616 – Use Tax Liability, and the amount is not submitted to the vendor being paid or to the ADOR.
- The expenditure recorded in AFIS will reflect the entire amount processed for payment including use tax.

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<sup>1</sup> [https://azdor.gov/sites/default/files/media/PUBLICATION\\_610.pdf](https://azdor.gov/sites/default/files/media/PUBLICATION_610.pdf) - Arizona Department of Revenue Use Tax – Publication 610.



- The liability can be verified by reviewing the purchase order (GAEIV1) document in AFIS and looking under the Accounting tab.

### Transfer Use Tax Liability and Remit Use Tax Payment to ADOR

Background: To pay your monthly Use Tax obligation, you will need to review the balance in BSA 1616 and the payments your agency has made since the last submission period to determine the correct amount to remit to the Department of Revenue.

### Review BSA 1616

The objective of reviewing BSA 1616 and your payments is to ensure that the liability is liquidated and that the proper amount is submitted to the ADOR for your agency's use tax.

1. Run the AFIS report FIN-AZ-GL-N188 (Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund) by BSA "1616". This report displays a summary of balances and changes to the general ledger. Make sure you enter the optional prompt for Balance Sheet Account (BSA) 1616 to narrow your selection and shorten the amount of report run-time. This report will provide the balance at the beginning and at the end of the month of your BSA 1616 by fund and sub-fund.
2. Run the AFIS report FIN-AZ-GL-N389 (Balance Sheet Detailed Transaction) by BSA "1616". This report displays the monthly activity details by document, which is reported on the FIN-AZ-GL-N188 report. This report is available only for a single month of activity and is not accumulative.
3. Review the transactions that make up the liability balance in BSA 1616. Determine if the tax liability is accurate. If it is, make a payment to the ADOR through the IETUT process. If incorrect, make the necessary correction.

### Tips

- If all your payments had been made and no additional liabilities were incurred, then your BSA 1616 should have a zero balance.
- GAXIV1 documents creating a liability will appear on the FIN-AZ-GL-N389 as negative amounts and transfers to ADOR will appear as positive amounts.
- The liabilities can occur in one month and the liquidation can occur in the following month.

## Process Internal Exchange Transaction – Use Tax (IETUT)

An IETUT document is used to transfer out the Use Tax liability (in BSA 1616) created through APP transactions to ADOR. IETUT procedures are as follows:

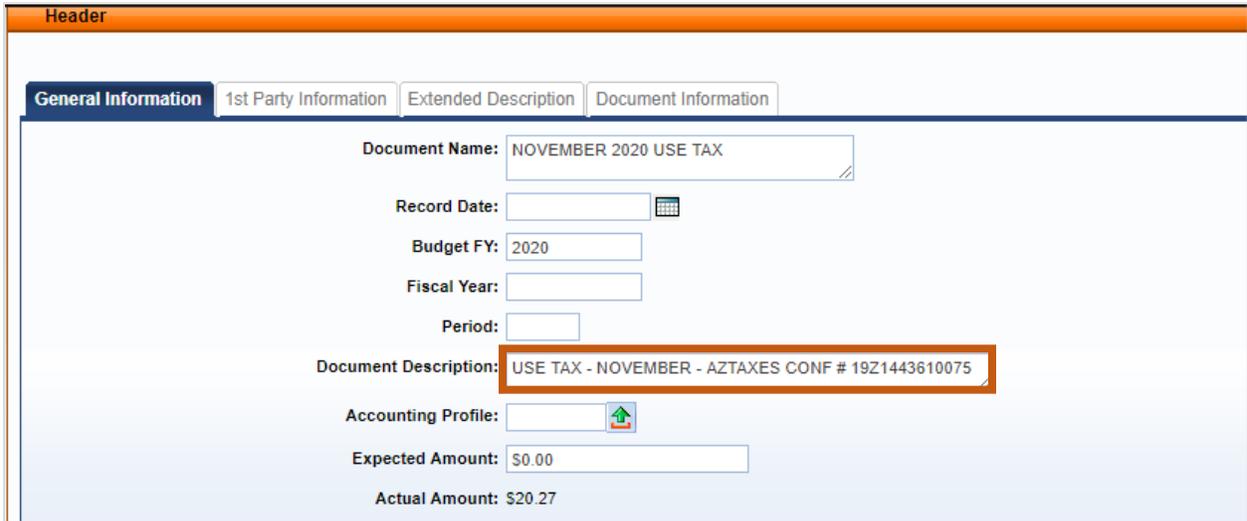
Log into **AFIS**. **Navigate** to the Document Catalog.

**Create** an IETUT document

1. In the **Code** field, enter **IETUT**
2. Click **Create**
3. In the **Dept.** field, enter **your department code**
4. Click **Auto Number** checkbox to generate a unique ID or enter your own unique ID number
5. Click **Create**. A new document is generated.

Complete the **Header** component. At a minimum, enter the following information:

- Record Date
- Initiator – **Must be set to Provider/Seller**
- Enter the confirmation number you have received from ADOR/AZTaxes in the **Document Description**. The confirmation number is provided to you after you successfully file and submit TPT and use tax return on [www.aztaxes.gov](http://www.aztaxes.gov).



Complete the **Exchange Details** component.

1. Click the **Insert New Line**

On the **General Information** tab, enter the following information:

- Event Type
  - **INZ7 (Liability to Revenue Transfer)** is the only available Event Type for this document
- Line Amount



## Quick Reference Guide

- Accounting Template
  - Enter **USETAX**

Complete the **2<sup>nd</sup> Party Accounting** component.

On the **General Information** tab, at a minimum, enter the following information:

- Line Amount

On the **Fund Account** tab, at a minimum, enter the following information:

- Department
- Fund (if not inferred from function)
- Unit (if not inferred from function)
- Appr Unit (if not inferred from function)
- BSA = 1616

On the **Detail Accounting** tab, at a minimum, enter the following information:

- Function (if used)
- Task (if not inferred from function)

**Validate** the IETUT document

1. Confirm that the document validated successfully in the upper left-hand corner. If it did not, please see your accounting supervisor.

**Submit** the IETUT document

**Note: The document will be handled through workflow and will be pending the Department Approver.**

Tips

- Attach to the IETUT the appropriate documentation to support the transaction.
- If you have filed Use Tax on the AZTaxes.gov electronically, there is no need to complete a paper tax return form. Please do not attach a paper tax return form.



## Transfer Payment of Use Tax when no Liability was Created Background

Background: When an invoice was processed in APP and the Use Tax liability was overlooked and not recorded at the time of processing, or a payment was made with a GAX in AFIS (including P-card payments where sales tax is not collected), the liability was not processed. When this occurs, a payment will need to be remitted to the ADOR by an Internal Exchange Transaction - Automated Transfer (IETAT) document.

## Review documents (invoices) paid where use tax was not paid and a liability was not created

The objective of reviewing paid invoices, including p-card transactions, without sales tax paid or use tax liability created is to evaluate if use tax is due and ensure ADOR is paid.

### Tips

- Create a list of the liability due (suggested fields may be invoice #, amount of the invoice, and the amount of use tax due, and the funding elements needed to properly record the liability i.e., Function, Fund, Unit, Appr Unit, BFY, etc.) and total the amount of use tax due.

## Process IETAT

An IETAT (Internal Exchange Transaction) document is a two-part document that can be used for Inter- or Intra-Agency payments. This process serves as a replacement for agencies that have accepted payment via the Automated Transfer process in the past. Make the payment by using the IETAT process:

Log into **AFIS**. **Navigate** to the Document Catalog.

**Create** an IETAT document

1. In the **Code** field, enter **IETAT**
2. Click **Create**
3. In the **Dept.** field, enter **your department code**
4. Click **Auto Number** checkbox to generate a unique ID or enter your own unique ID number
5. Click **Create**. A new document is generated.

Complete the **Header** component. At a minimum, enter the following information:

- Record Date
- Initiator – **Must be set to Provider/Seller**
- Enter the confirmation number you have received from ADOR/AZTaxes in the **Document Description**. The confirmation number is provided to you after you successfully file and submit TPT and use tax return on [www.aztaxes.gov](http://www.aztaxes.gov)



**Header**

General Information | 1st Party Information | Extended Description | Document Information

Document Name: NOVEMBER 2020 USE TAX

Record Date:

Budget FY: 2020

Fiscal Year:

Period:

Document Description: USE TAX - NOVEMBER - AZTAXES CONF # 19Z1443610075

Accounting Profile:

Expected Amount: \$0.00

Actual Amount: \$20.27

Complete the **Exchange Details** component

1. Click the **Insert New Line**

On the **General Information** tab, enter the following information:

- Event Type
  - **INZ3 (Expenditure to Revenue Transfer)** is the only available Event Type for this document
- Line Amount
- Accounting Template
  - Enter **USETAX**

Complete the **2<sup>nd</sup> Party Accounting** component.

On the **General Information** tab, at a minimum, enter the following information:

- Line Amount

On the **Fund Account** tab, at a minimum, enter the following information:

- Department
- Fund (if not inferred from function)
- Unit (if not inferred from function)
- Appr Unit (if not inferred from function)
- Object

On the **Detail Accounting** tab, at a minimum, enter the following information:

- Function (if used)
- Task (if not inferred from function)



**Validate** the IETAT document

1. Confirm that the document validated successfully in the upper left-hand corner. If it did not, please see your accounting supervisor.

**Submit** the IETAT document.

***Note: The document will be handled through workflow and will be pending the Department Approver. The document will then be routed to Department of Revenue for review and approval.***

**Tips**

- Attach to the IETUT the appropriate documentation to support the transaction.
- If you have filed Use Tax on the AZTaxes.gov electronically, there is no need to complete a paper tax return form. Please do not attach a paper tax return form.

**Correct Errors in the Use Tax Liability Background**

Background: Occasionally, a liability is created for an incorrect amount. Usually this means the expense is also incorrect. Paying the IETUT will liquidate the liability and remit the funds directly to the ADOR. For any remaining amount in BSA 1616 that should not have been withheld, use an Internal Exchange Transaction - Balance Sheet (IETBS) document to make this correction.

